

SOCIALIST STUDIES

No. 29

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**OFFICIAL JOURNAL OF
THE SOCIALIST PARTY
OF GREAT BRITAIN**

Communications to: General Secretary.
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THE SOCIALIST PARTY OF GREAT BRITAIN

OBJECT

The establishment of a system of society based upon the common ownership and democratic control of the means and instruments for producing and distributing wealth by and in the interest of the whole community.

DECLARATION OF PRINCIPLES

THE SOCIALIST PARTY OF GREAT BRITAIN HOLDS:

1. That society as at present constituted is based upon the ownership of the means of living (i.e., land, factories, railways, etc.) by the capitalist or master class, and the consequent enslavement of the working class, by whose labour alone wealth is produced.
2. That in society, therefore, there is an antagonism of interests, manifesting itself as a class struggle, between those who possess but do not produce, and those who produce but do not possess.
3. That this antagonism can be abolished only by the emancipation of the working class from the domination of the master class, by the conversion into the common property of society of the means of production and distribution, and their democratic control by the whole people.
4. That as in the order of social evolution the working class is the last class to achieve its freedom, the emancipation of the working class will involve the emancipation of all mankind without distinction of race or sex.
5. That this emancipation must be the work of the working class itself.
6. That as the machinery of government, including the armed forces of the nation, exists only to conserve the monopoly by the capitalist class of the wealth taken from the workers, the working class must organise consciously and politically for the conquest of the powers of government, national and local, in order that this machinery, including these forces, may be converted from an instrument of oppression into the agent of emancipation and the overthrow of privilege, aristocratic and plutocratic.
7. That as all political parties are but the expression of class interests, and as the interest of the working class is diametrically opposed to the interests of all sections of the master class, the party seeking working class emancipation must be hostile to every other party.
8. The Socialist Party of Great Britain, therefore, enters the field of political action determined to wage war against all other political parties, whether alleged labour or avowedly capitalist, and calls upon the members of the working class of this country to muster under its banner to the end that a speedy termination may be wrought to the system which deprives them of the fruits of their labour, and that poverty may give place to comfort, privilege to equality, and slavery to freedom.

ALL ENQUIRIES AND APPLICATIONS FOR MEMBERSHIP TO...
The Socialist Party of Great Britain,
71 Ashbourne Court, Woodside Park Road, London N12 8SB

FROM HERE TO THERE AND HOW

From Here

It is the late 1990's, unemployment is worldwide. According to the United Nations 1 billion people cannot find work. Poverty, war and insecurity are likewise problems which governments cannot solve. Social reforms have been unable to solve the day-to-day problems facing the working class. The so-called free market, a mixed economy and all-out nationalisation have also failed workers forced to live on wages and salaries. Fierce competition makes life under Capitalism unpleasant and stressful.

Workers have the vote but are encouraged by Labour and Conservative politicians to vote for them at elections. Politicians promise everything but always disappoint. They claim there is no alternative to Capitalism. They deny society can be organised in any other way.

Is there an alternative to Capitalism? Socialists argue that there is. Society does not have to exist the way it does now. Class ownership, the exploitation of workers by employers, the labour market, employment, the struggle to make ends meet and the lack of control over what is produced and for whom - these need not continue. There is an alternative. There is a choice about the way we can organise production to meet human needs rather than for profit. There is the alternative of Socialism.

To There

If there was common ownership and democratic control of the means of producing and distributing social wealth, a rational framework would enable men and women to tackle and solve the wide range of social problems they face which politicians are powerless to do anything about. Socialism would allow people to decide exactly how they wanted to live. There would be no leaders

making decisions for them.

A broad outline of Socialism can be given. It would be a classless society of free men and women producing goods and services, and directly distributing them to meet the social need of all society. Social need and not profit would be the guiding motivation of a socialist society. Goods would be produced to the highest quality possible. Work would be an enjoyable experience. People's creativity would be unleashed and encouraged.

And since there would be no employers and no coercive wages system there would be no unemployment and class conflict. With no economic competition there would be social harmony and co-operation. With no nation states there would be no war. With no artificial barrier like the market between production, distribution and consumption there would be no poverty.

And How

To get from Capitalism to Socialism requires more than just an understanding of capitalist society and the awareness that capitalism cannot operate in the interests of the working class, that only Socialism can answer our needs and interests. It also requires political action. And the political action adopted to establish Socialism has to be based upon a practical consideration of society as it exists now.

The institution of private property ownership prevents the majority from having direct access to what is produced. Private property, including the commodities workers produce, is protected by the police, the armed forces, the courts and the prisons. This machinery of government has to be removed politically from protecting raw resources, transport and communication systems, factories and distribution points currently owned and monopolised by the capitalist class. The machinery of government, therefore, has to be an agency of emancipation in the establishment of Socialism.

There is no way this system can be made to work in the interests of the working class since the wages system is essentially a system of exploitation. The working class's unpaid labour provides profits and dividends and yet more capital for the capitalist class, year after year.

The political powers of coercion are presently controlled by Parliament. To gain control of the machinery of government requires a Socialist majority actively sending socialist delegates to Parliament. This conscious political action has to be through a principled Socialist party with a single Socialist objective throughout the world. In Britain, The Socialist Party of Great Britain exists for this purpose.

Once political power has been removed from protecting private property the really important work of solving social problems and producing to meet human needs can begin.

Class Struggle and the State

The class struggle is the struggle between social classes with different economic interests, that is different positions in society in relation to the production and distribution of the social wealth - ... each class striving to obtain control of political power so that society shall be organised to suit their interest. Thus all class struggles are political struggles, aimed at getting control of state power.

... Any class that sought to change the framework of society to suit its interests had first of all to get control of the state, the organised power of coercion ...

The Socialist Party of Great Britain and Historical Materialism (1975)

p 33

MR BROWN'S CLASS INTEREST

Chancellor Gordon Brown blamed the increase of interest rates from 7.25% to 7.5% on the successful pay demands by private sector workers. Mr Brown is not alone in blaming workers. At a recent CBI dinner in May 1998, Mr Blair blamed workers for not working hard enough. He blamed them for causing inflation. And he blamed them for causing trade depressions.

This culture of blame merely indicates the socialist position that the Labour government is politically spiteful and vindictive. It is a political bully who tries to pick off various sections of the working class, the disabled, the sick, single mothers and now those on mortgages. It tries to attack and divide our class at every twist and turn. In this, Labour is behaving no differently from any other Labour administration from Callaghan and Wilson back to Attlee and Ramsay MacDonald. There is nothing new about Labour's class politics. It has always been a capitalist political party and it will always remain a capitalist political party.

And Labour carries out all these anti-working class policies while lecturing to us that there is no class struggle. The truth of the matter is that the Labour Party is knee deep in the class struggle. In a class divided-society the state protects the institution of private property ownership, class exploitation and class privilege. The working class may have voted Labour into power but it will exercise power in the interests of the capitalist class.

So it is no surprise to learn that Mr Brown blames workers for higher interest rates. His reason for this absurd belief is the fallacious nonsense that since workers' pay rises cause inflation the Bank of England has to discipline them by putting up interest rates, thereby taking away pay gains through higher mortgage repayments.

Mr Brown's argument runs something like this. Workers demand and get more

pay. Employers make up the loss by increasing prices. Workers then push for another pay increase to compensate. And employers respond by further increasing prices. The result is a wage/price spiral.

This is an utterly bogus argument for a number of reasons.

First, it conveniently ignores profits. In a boom when trade is good, employers can offset paying workers more money by the increased profits they are enjoying.

Second, it assumes employers can raise prices at will. They cannot. Competition places a ceiling on price increases employers can charge. If employers could raise prices to compensate for pay increases, why couldn't they have raised prices before workers asked for pay increases, thereby making greater profits?

Third, it assumes, wrongly, that the causal chain for inflation begins with the workers asking for higher pay increases. What Mr Brown forgets is that a wage or salary is in fact a price for labour power. When inflation increases it causes an increase in the general price level. However, continuous inflation in the past 50 years has been caused by governments pushing excess currency into circulation, not by what has been happening to wages: it would have caused prices to multiply whatever course wages took.

Fourth, between 1880 and 1914 real wages increased due to more efficient trade union organisation but prices continued to fall. So, Mr Brown's claim that workers cause inflation can be refuted by events. The reason why workers, then, were never blamed for inflation was that governments and economists understood that inflation was caused by too much currency in circulation than was necessary for trade, not by wage increases. The argument Mr Brown uses to attack workers is Keynesian in origin. It is not accepted by all capitalist economists, particularly the Monetarists who have their own anti-working class

ideas. Mr Brown's argument about wage-inflation is a ruling class idea which should be treated with the contempt it deserves.

Fifth, it ignores why interest rates had to rise which was because of inflation. If a lender lends £100.00 at 10% for a year he will receive at the end of the year £110.00, but if prices have risen during the year by 10% his £110.00 will buy no more than could be bought at £100.00 at the beginning of the transaction - the lender will in effect have lent the £100.00 for nothing. Consequently, when they anticipate prices will rise, lenders try, with some success, to push interest rates up to a rate well above the inflation rate. Banks and building societies make their profit by lending at interest, which they can do only to the extent that they can attract deposits. They therefore have to make frequent adjustments in the interest they pay to depositors to attract enough cash to balance their lending to borrowers.

Sixth, it erroneously assumes that governments and the Bank of England control the raising and lowering of interest rates. The fact that governments can't control interest rates has been repeatedly shown by the contradiction between the low interest Labour and Tory governments promised, and the high rates that market conditions imposed. Like the pledge by Harold Wilson in 1963 that his government would end the Tory policy of penally high interest rates. He came into office in 1964 and the bank rate went up from 4% to 8% (it was a minister in that Labour government, the late George Brown, who said he looked forward to a 3% mortgage rate). Under the Labour government, 1974-1979, the bank rate went up to a record 15%, duly denounced by the Tories, but after the Tory government came into office in 1979 it went up to 17%. New Labour also promised interest rates as low as possible - and in just over 12 months, interest rates have risen six times.

Mr Brown finds it convenient to blame workers because he is in the business of representing and furthering the interests of employers. Capitalists do not like it

pay increases because it reduces the amount of profits capitalists receive. Governments assist employers by trying to impose pay restraints and spiteful policies even though these policies are economically incompetent and erroneous and have little or no impact in the real world.

Finally, it should be noted that a rise in interest rates does not affect all workers alike. It only affects those with mortgages and loans to repay. Even then, if pay increases for workers with mortgages are greater than the mortgage repayment increase, those workers will not be affected. Neither will those with fixed interest mortgages. Some workers with savings in banks and building societies actually benefit from higher interest rates.

And interest rate increases do not necessarily affect workers paying rent to private landlords, Local Councils or Housing Associations. Trade Unions and workers will quite rightly ignore Mr Brown and struggle for the best pay and conditions of work the state of trade permits.

With regard workers as a class, the interest rates and prices have both gone up in the past half-century, prices enormously, but this has not prevented a big rise in the standard of living of the working class as a whole.

However, employers and their governments, Labour and Tory, will nearly always have the upper hand. Capitalists own the means of production and live off the unearned income produced by workers, and the state exists to ensure that this exploitative process continues. It is quite clear that the Labour Party's tongue is firmly and permanently on the boot of the capitalist class. Workers should remember this fact when they vote at the next election. The only vote of any weight and consequence is a vote for Socialism.

WORK, WEALTH AND POWER

Occasionally **The Sunday Times** letters page is of interest. We quote this short letter:

So Generation X wants jobs that are interesting and challenging ...? Jobs where they can work sensible hours so as not to neglect their spouses, children, friends and hobbies. Jobs where they are treated with respect by their superiors. What sort of society have we built where these desires are seen as unreasonable and unrealistic?

Eden Blake, London, **The Sunday Times**, 19th April 1998

So what sort of society is it where such desires are seen as unreasonable and unrealistic?

Answer: a capitalist system, a class system. Most people seem blind to the connection between production for profit based on alienated labour and exploitation, and the consequence in the form of jobs where work can give little pleasure, being merely toil and drudgery. Where workers are merely 'hands' - easily replaced, hired and laid off as the market alternately expands and contracts, or when companies become more or less profitable. Where those in work, afraid to say no, are bullied into working extravagantly long hours, especially when, on the outside, there are many others rejected by employers as 'redundant', surplus to requirements.

In this competitive system, contempt for the poor, the less successful, the less powerful, comes naturally to the rich, successful, powerful capitalist minority. Complacently, the millionaires listed in **The Sunday Times'** annual celebration of the seriously rich are frequently claimed to be 'self-made' millionaires yet their fortunes are made for them by workers.

The land self-interest groans from shore to shore, wrote the poet, Byron. Ours

is a society whose so-called political democracy is subservient to the interests and power of a plutocracy. Plutocracy derives from the Greek words for rich and powerful. Today, the power of wealth is the key to the continuing prevalence of sleaze in government, whether under Tory or New Labour. The relationships of government ministers, political parties, civil servants, Quangoes and local councils with the rich and powerful capitalist class are explained by the fact that the system is more of a plutocracy than it can ever be a democracy.

The ancient Greeks' form of democracy was just as exclusive as in South Africa under apartheid: political power was strictly for the dominant and affluent male ruling class, not for women, slaves or immigrants. To achieve a modern democracy, a system where production and distribution is owned in common and all of society participates in society's affairs, we must rid ourselves of the class system.

It is the class system with its priority of profit making which creates inhuman working conditions, jobs that are merely jobs, not interesting, challenging, pleasurable, creative work, but tedious, repetitive, monotonous, unfulfilling drudgery and toil. The modern production process is the worst system possible for the workers but it is the best system for maximising profits.

Unlike the chattel slaves of the past, today's wage-slaves do have the power to change things and build a better society. This system has its Achilles heel, its weak spot. The wealthy few rely on our consent, our support. *We are many; they are few.*

The minority live on the unearned profits and dividends derived from the exploitation of the working class. Once workers resolve to end the class system and organise politically to replace it with Socialism, then we can start to build a new system, a society where work can be both necessary and a pleasure, creative, fulfilling and life-enhancing.

Eden Blake's desire is by no means unreasonable or unrealistic. It only seems to be so in the context of a newspaper owned by a ruthless and unscrupulous plutocrat, Mr Murdoch, with a cynical knack for supporting whichever political party seems most likely to be in power after an election.

His papers' switch of support, from Tory to New Labour, before the last election - like Bernie Ecclestone's donation (later returned) and David Sainsbury's payment to Labour (for which he received a peerage from Blair) - was not from political conviction. All these capitalists were previously long-term supporters of the Tory party. They are not idealistic believers in *Cool Britannia*, stake-holding or any other New Labour slogan. To Murdoch and his like, a new government has to administer the needs and interests of capitalism.

Hence the donations. Hence, also, the yawning gulf between what Labour said in opposition and what they practise in government. In doing so, they are proving, yet again, the truth of the Marxist view of the state as being in essence *the executive committee* of the capitalist class, serving the interests of the few - not the many, of the rich - not the poor, of the powerful - not the weak.

But workers will not ignore their class interests forever. The day will come, sooner or later, when many realise, and, as Socialists do now, that no capitalist government can solve the problems the system creates, where the many work to enrich a wealthy minority. This system does not deserve our support: it is high time we ended it and replaced it with Socialism, a society where community can be more *than* a catch-phrase, and where democracy can be a reality rather than a buzz-word behind which capitalists exercise their class power and their class privilege.

GLOBALIZATION - APOCALYPSE NOW?

John Gray is a professor, worse - he is a professor of politics, and worse - he professes his politics at the notorious Fabian-founded London School of Economics, a school which has contributed significantly to the modern misunderstanding of capitalist economics.

Professor Gray, till quite recently, was an ardent advocate of deregulation, privatisation, and the so-called 'free market'. But not now.

Now there is a new Professor Gray. This new John Gray, in his latest book **False Dawn - the Delusions of Global Capitalism**, argues that capitalism's global 'free markets' are inherently unstable, anarchic, ungovernable.

There is nothing in today's global market that buffers it against the social strains arising from highly uneven economic development within and between the world's diverse societies. The swift waxing and waning of industries and livelihoods, the sudden shifts of production and capital, the casino of currency speculation - these conditions trigger political counter-movements that challenge the very ground-rules of the global free market.

False Dawn, p7

As Gray sees it - evidently unaware that Marx had made a similar analysis in the **Communist Manifesto** many, many years earlier - capitalism has the effect that *all relationships become consumer goods and inherited traditions are scattered to the winds.*

The modern mobile labour market is far from the bureaucratic Taylorism predicted by Marcuse: *late modern capitalism ... does not box (people) into an iron cage of bureaucracy or imprison them forever within a minute niche in the division of labour. It abandons them to a life of fragments and a proliferation of senseless choices (p38).*

What Gray calls *disordered capitalism* is characterised by flexible labour-markets, with part-time, short-term contract work, and the disappearance of career structures.

Today the social organisation of work is in a nearly continuous flux. It mutates incessantly between the impact of technological innovation and deregulated market competition (p71).

Gray notes too, that, with the disappearance of many occupations, *the result is a re-proletarianization of much of the industrial working class and de-bourgeoisification of what remains of the former middle classes (p72).*

So much for some of the problems. What sort of solution does our professor of politics propose? Only the most naive, unrealistic, simplistic one possible:

... a system of global governance. ... Only a framework of global regulation - of currencies, capital movements, trade and environmental conservation - can enable the creativity of the world economy to be harnessed in the service of human needs (pp199-200).

Unfortunately, there would be a problem about this *global governance*. It would require co-operation between major economic powers, which would be highly unlikely due to their conflicting interests. In short, Gray himself sees this solution as what it is - a simplistic, Utopian fantasy.

Without world regulation, Gray sees only doom and gloom: *we stand not on the brink of the era of plenty that free-marketeers project, but a tragic epoch, in which anarchic market forces and shrinking natural resources drag sovereign states into ever more dangerous rivalries (p207).*

This book is exasperating. Its forceful indictment of capitalism is accurate up to a point, yet Gray does not attempt to define capitalism

Paradoxically, his description of capitalism again and again reminds the reader of passages in the *Communist Manifesto*. Yet he is no Marxist. He attacks Marx for his supposed determinist *theory of historical inevitability* and for his lack of understanding of human nature (quoting Bertrand Russell's 1920 attack on Bolshevism). His one and only quotation from Marx is taken, at secondhand, and out of context, from a book about Marx. Like many modern academics, he gives every indication of not having read Marx or studied his theories.

As for Socialism, to Gray this means only *the command economies of the former socialist blocs* (p194); again, we are frustrated by his failure to offer any definition. Surely it is time that honest people - even professors of politics - tried to restore some meaning to the concept of Socialism?

As for the two options he offers his readers, we reject both. World regulation of markets, social control of entrepreneurial capitalism, so as to harness production *in the service of human needs* sounds a nice idea but not practical. You cannot square the circle. You cannot expect rival nation-states to co-operate when their economic and strategic interests are in conflict. Moreover, this regulated capitalism would still be a system of exploitation and, however regulated, it would still lurch from crisis to crisis.

The other alternative - the system of *disordered capitalism* continuing - would be disagreeable and dangerous. Fortunately, it is not the only other option available.

We urge the working class to consider the possibility that capitalism could be replaced by a worldwide society based, not on competitive production for profit and class exploitation, but on co-operation and production for use *in the service of human needs*.

Being a successful author and a professor of politics, John Gray has ignored this possible solution to the world problems he has so forcibly exposed. He is, we

understand, unwilling to debate these issues.

In conclusion, it is interesting that Gray has abandoned his former belief in the market's magic ability to restore its equilibrium - a curious superstition common to the Chicago School of Monetarism which never noticed the fact of periodic mass unemployment. But his book might have been a better one if he had taken the trouble to read Marx, not just attack him on the basis of what others had written. And a much better one if he had recognised the logic of his own argument: that since capitalism is ungovernable, anarchic, and incapable of working to satisfy human needs, it is not a system we can safely live with.

That being the case, the argument for Socialism is unassailable.

"GLOBALISATION - the new fashion for international companies to identify themselves with their host nations".

NEIL ASCHERTON. (Independent. Sunday 12 January 1997)

"The world had an open trading economy before 1914 . . . and in many ways although the volume of trade today is far bigger the global market of the 1990s is still not as free as that of Belle Epoque. Britain's trade in 1913 formed 44.7% of its GDP but is only just over 40% today. France and Germany show similar figures. As for the irresistible outrush of free capital from the developed world to the poorer continents, this is largely a myth. In 1993 there were capital outflows of over 100 billion dollars from the advanced nations to the 'newly industrialising countries'. This sounds a lot, but in fact it amounted to a mere 3% of investment in North America, Europe and Japan. (Independent 12.1.97).

JAPANESE CAPITALISM: AN END OF A MIRACLE

Last autumn the stockbroking firm, Yamaichi Securities, was forced into bankruptcy making it Japan's biggest corporate failure since World War II. The company had lasted 100 years. According to *The Sunday Times* (12 April 1998) its closure was symbolic of Japanese Capitalism's current depression which has seen numerous bankruptcies and consequent rising unemployment.

The late 1990s has seen Japanese capitalism's rapid growth come to a grinding halt. The 'miracle' economy has turned out to be a myth. Japan was once trumpeted as a model capitalist economy who managed, through efficiency and productivity, to ride out the depressions of the seventies and eighties. Western capitalism was told to emulate the Japanese company. Workers were told to match the productivity and dedication to the company of workers in Japan. It has all gone horribly wrong.

Sony, one of Japan's largest corporate companies, which exported competitively around the world is now in economic trouble. Sony's chairman, Norio Ohga, believes Japanese capitalism is *on the verge of collapse*. He has no answers to the depression. He can see no end to low profits. His is a perspective which cannot see the cyclical nature of depressions. With no Marxist insight Mr Ohga cannot understand that the depression hitting Japan comes out of the very commodity production and exchange he believes is so beneficial and benign. The anarchy of capitalist production causes crises and no company and no country can be immune from the havoc such anarchy periodically unleashes.

Japan's management style, once the envy of European and American businesses, is now blamed as a contributory factor for Japan's industrial and financial decline from once world prominence. The Japanese employers thought they had got commodity production and exchange right, employee loyalty and obedience, employee involvement and high employee productivity. Now shareholders - who

have seen their unearned incomes fall - blame the managers for losing their ability and confidence to run companies along profitable lines.

There are some smug British politicians and political commentators who are crowing about the plight of the Japanese depression. These petty nationalists believe British capitalism is strong and healthy. Nothing could be further from the truth. No seller of commodities can be sure that there will be a buyer waiting to buy. All booms create the conditions for crises and depression. And in an integrated world economy a crisis and depression in one country can spill over into another.

It is interesting to note the Japanese government's response to the depression. It has been the discredited doctrine of Keynesianism. The prime minister, Mr R Hashimoto, has forced through a package of 18 billion yen of tax cuts and extra 10,000 billion yen of public spending. Yet the capitalists benefiting from the tax cuts might save instead of spending. Or they might invest abroad. Mr Hashimoto just does not know. In fact, what happened was that the Japanese economy shrank by 1.3% in the first three months of the year following a contraction of 0.4% in the previous three (Times, 13 June 1998).

It is conveniently forgotten by governments and their economists what taxation amounts to. It is not something outside of and added to the national production and consumption, but is part of the whole. Taxation is a portion of surplus value or profit produced by the working class. The employers from whom the taxes are taken are deprived of purchasing power and the government acquires it. It is a transfer. The total is not changed. What the government spends from taxation the capitalists cannot.

Decreasing taxation has similar problems for governments. Governments lose potential revenue and no longer have the ability to spend it but there is no reason to suppose capitalists will use the additional money to invest in industry if there is little likelihood of making a profit. Sony, for example, has billions of yen at

its disposal but will not invest in producing commodities it believes it will not sell. Capitalists are the best judges of when to make a profit, not governments.

And such measures have failed elsewhere. In Germany, Chancellor Kohl tried to end the depression there by pumping billions of marks into the economy without success. Companies still went bankrupt. Unemployment still went up. There are now over 4.4 million unemployed workers in Germany. Government policies, whether Keynesian or Monetarist or any other sort, are utterly useless in either preventing or ending periodic trade depressions. The anarchy of capitalist production which is the cause of trade depressions can be ended only with the establishment of Socialism.

Japan's Economic Planning Agency (EPA) has admitted Japan is in a depression and *the economy is stagnant and conditions are becoming more severe*. Capitalism, though, cannot be planned. It is anarchic and unpredictable.

Unemployment is currently 3.4%, low by international standards, but Japan's highest since 1953. For the first time in several generations, salaried workers, accustomed to lifetime employment, face redundancy. There are no secure jobs under capitalism. No matter what work is undertaken by workers, if there is no profit to be made in employing them then they will be sacked.

Until recently, Japanese businesses would sack workers from specific work by reassigning them to branches or even to affiliated companies in other parts of Japan. The tradition of life-time employment in the big corporations meant workers surplus to requirement were usually not fired but given a nominal title, a desk by the window and no work to do.

One economist, according to *The Sunday Times*, says that there are 2 million of these so-called *madogiwa-zoku* (the tribe by the window). But as the depression deepens the lifetime employment system is breaking down. *Madogiwa-zoku* are now the first to go when a company has to restructure.

The *Sunday Times* also reported how once well-paid workers now working part-time in low-paid jobs still put on a suit and tie and leave the house at the same time each morning in order to *keep up appearances*. Capitalism allows no vanity. Capitalism respects no pretensions. And capitalism shatters all illusions.

So what can be done? First, workers must understand that capitalism has nothing to offer them. Second, they must realise that the social problems they face as a class stem from the capitalist system of commodity production and exchange. Third, the solution to the problems workers face lies with themselves and no one else.

If there was common ownership and democratic control of the means of production and distribution by all of society then they would not be at the mercy of trade depressions. Unemployment exists only because employment exists. Employment is not natural but social. Employment depends on the existence of a class-divided society. And a class-divided society depends on workers voting back into power capitalist politicians to administer capitalism in the interests of the capitalist class.

Perhaps some of the *madogiwa-zoku*, recently gazing out of the windows of companies they neither own nor control, might like to begin to think in terms of Socialism rather than capitalism. It would be a start.

Japan faces a renewed threat that its economy will fall into a full-scale depression if the August collapse in world share markets is not reversed. A 9% fall in the Nikkei 225 share index last week is calculated by local analysts to have created £10 billion of unrealised stock losses among Japan's already shaky top banks. (The Times 31 August 1998). (The Nikkei share index on 28 August 1998 stood at 13,915; on 18 September 1998 it was 13,859.

SPOILT FOR CHOICE

In Scarcity and Modernity Nicholas Xenos, professor of political science at the University of Massachusetts at Amhurst, cites an article appearing in **Washington Talk** about the emergence of various establishments in Washington DC selling *haute cuisine* to go.

These businesses cater to the city's affluent ... who have more cash on their hands than time.

One showpiece of this shopping for the rich is the Sutton Place Gourmet:

a 17,000 square-foot food department store located in one of the city's wealthiest enclaves, a short distance from the high-priced homes of Foxhall Road and the quiet wealth of Embassy Row that has become a daily stop-off for many Washingtonians.

When the rich arrive, they find a place

filled with every imaginable fancy food, with prices to match: 600 kinds of cheese, 300 brands of imported beer, 11 varieties of dried mushrooms and six of truffles, seven kinds of foie gras and 22 of smoked fish, fresh herbs all year round, fresh bread and sweets and special dishes from an on-premises kitchen, lamb from Pennsylvania, butter from France, estate bottled olive oil from Tuscany and wild rice from an Indian tribe in northern Wisconsin.

Sandra Gutlieb, wife of the Canadian Ambassador, simply loved shopping there.

It's sort of like an entertainment, adventure. People go in couples and wander about asking each other, 'Let's see, which one of these 18 different hams should we try today?'

p.103-4

Just a stone's throw away from this decadent hedonism are the slums of Washington's poor. Washington has major poverty, drug abuse, prostitution and social alienation problems. It has one of the highest murder rates in the USA. When the G8 ministers

met in Washington to be lectured by President Clinton on how wonderfully well American capitalism was doing as opposed to Europe, diplomats were warned not to leave their hotels at night. How they got their shopping done at Sutton Place Gourmet we were not told.

This is the American Dream in reality - unimaginable wealth with secure and luxurious life styles for the few, and relative poverty, exploitation and insecurity for the rest.

John Pilger, citing Federal Reserve Board Statistics, writes:

In Clinton's New Democracy, one per cent of the population now controls 40 per cent of the national wealth; profits are at an all-time high, having risen by 19 per cent in the last five years while wages and welfare benefits, put together, have grown by a mere one per cent. This is what economists mean when they say that the American economy is "booming".

Hidden Agendas 1998 p.71

And The Sunday Times, in its Rich List 1998, sets out the wealth held by the rich in the United States. Here are the top 10:

Capitalist		
1. Bill Gates	Software	£28.81bn
2. Robson Walton and family	Retailing	£22.25bn
3. Warren Buffett	Investments	£18.68bn
4. Paul Allen	Software	£11.18bn
5. Pierre du Pont and family	Chemicals	£8.75bn
6. Forrest Mars and family	Confectionery	£8.12bn
7. Peter Haas and family	Jeans	£7.68bn
8. Barbara Cox and Anne Cox Chambers	Media	£6.25bn
9. Steven Ballmer	Software	£5.93bn
10 Samuel and Donald Newhouse	Publishing	£5.62bn

The total wealth of America's Top 20 capitalists adds up to a hefty £163.3 billion on **The Sunday Times** 'cautious' estimates (excluding bank accounts).

The failure of American capitalism for the working class was graphically illustrated by the growth in prisons, one of the fastest growth areas in the economy. Pilger writes:

prisons have become the fastest-growing business in the United States; more people are now employed in what are known as 'prison industries' than in any of the country's top 500 corporations, with the exception of General Motors.

Hidden Agendas 1998 (p70)

And this growth area includes the slums of Washington DC. In his book, **Global capitalism: One world: Ready or not**, W Greider writes of plans to build a productive prison to house the thousands of young black workers who circulated regularly between DC's mean streets and incarceration for drug-peddling or violent crimes. p433

And Mr Greider goes on to write that:

...the owners would not be the government but individual citizens and workers - the 300,000 voters in the District of Columbia, plus the guards and managers who ran the prison, plus even the prisoners themselves. (p433)

But, then, capitalism itself is a prison for the working class and it does not matter whether the chains that bind them to capital are made of iron or of gold. Having no property but their ability to sell their mental and physical abilities to an employer, the working class are imprisoned within the wages system of class exploitation. The only problem is that workers have the political key to freedom but currently, and against their own interests, elect not to use it. Until workers consciously and politically organise to establish Socialism, capitalists will have to carry on worrying about what ham to choose for their smart dinner parties and where they will be on **The Sunday Times** Rich List.

NO MYSTERY ABOUT BANKING

Banks have been in the news again. In 1991 BCCI (Bank of Credit and Commerce International) was wound up with liabilities of £14 billion following the discovery of the world's biggest banking fraud. In 1995 a single trader at Barings Bank in Singapore lost £860 million by speculating on the Japanese futures market. Deutsche Morgan Grenfell lost £200 million in European investment funds and in 1997 NatWest lost £377 million.

The Asian economic crisis has also been unkind to the banks. The banks claimed to have assets more than sufficient to pay depositors eventually, but they did not have the cash available when depositors took fright and wanted their money back. The Hong Kong bank, Peregrine, which collapsed in January 1998, was owed \$350 million from one borrower, Steady Safe, an Indonesian taxi-cab firm which defaulted, which meant Peregrine having little ability to pay depositors wanting to get their money out.

The outcome has been that many South East Asian banks are being taken over by American banks. The Development Bank of Singapore has agreed terms for the purchase of Thai Daou Bank, and the USA bank, Citicorp, is investigating a proposed purchase of one of the many other bankrupt Thai banks. City and Chase Manhattan are about to buy some Korean commercial banks (*Economist* January 1998).

But what is of the most lasting interest is the light such bank failures throw on the absurdities of the banking theories held by what the late Professor Cannan called the 'Mystical School of Banking Theorists'.

Before this banking mysticism gained its present widespread acceptance, economists and bankers, though they disagreed about many other things, had no doubt about the basic principle that what a bank lends or invests is placed at its disposal by depositors. It is not created by the bank itself.

Marx, for example, wrote:

A bank represents on the one hand the centralisation of money-capital of the lenders, and on the other the centralisation of the borrowers. Its profit is generally made by borrowing at a lower rate of interest than it loans.

(Capital Volume III, p 473. Kerr edition)

And a banker, Walter Leaf, retired Chairman of Westminster Bank, wrote:

The banks can lend no more than they can borrow - in fact not nearly so much. If anyone in the deposit banking system can be called a 'creator of credit' it is the depositors; for the banks are strictly limited in their lending operations by the amount which the depositor thinks fit to leave with them.

Banking, Home University Library 1926

But the mystical school led by Keynes would have none of this. They saw that a prudently conducted bank, having the confidence of depositors, could rely on them to leave the bulk of their deposits in the bank, so that the latter could safely invest about 12-15%, keep about 20% in a form of lending which they could call on immediately, keep about 10% in cash in their tills or at the Bank of England, and use about one half to make loans or advances to customers. From this they made the topsy-turvy deduction that out of the 10% cash (it is now down to 8%) the bank had created the rest.

The 1931 Committee on Finance and Industry (The Macmillan Committee) in its report claimed that the bulk of the deposits arise out of the action of the banks themselves, for by granting loans, allowing money to be drawn on an overdraft and purchasing securities a bank creates a credit in its books, which is equivalent of a deposit. In effect, the more they lent, the more they had.

They went on to give what they called a simple illustration. First, they assumed that all banks had been merged into one bank. Then they described what they

said would happen if a depositor deposited £1,000 in cash, the bank relying on past experience that it was only necessary to keep £100 of it in cash. The bank, they said could now make loans (or purchase securities) up to a total of £9,000 *until such time as the credits created ... represent nine times the amount of the original deposit of £1,000 in cash.* They were, of course, assuming that when each borrower drew on his account to make payments the cheques would come back into other accounts in the same bank.

Two things were overlooked or obscured. In the real world there are quite a lot of separate banks and in the nature of things most of the loans made by each bank are used to make payments, not to customers of the same bank, but to customers who have accounts in other banks. So, if for the moment we accept the assumption that the banks by making loans have created deposits, they are doing most of it not for themselves but for their rivals.

More important, their simple illustration is too simple. If their arithmetic is sound it could be applied to a bank just being formed just as well as to a bank already functioning. (They were silent on this.)

But as soon as it is put like this its absurdity becomes apparent. A newly formed bank with no deposits except £1,000 cash just handed in would, on the past experience which the Macmillan Committee itself accepted, invest £150, have £200 on call, £100 in cash and make advances of £550. Thus its total of investments and advances would be, not £9,000, but £900. It would only need one borrower of £1,000 to draw a cheque paying it into an account of another bank, for the first bank's £1,000 cash to be reduced to nothing.

The same principle applies to an existing bank, for example, if we take total deposits £100,000 with £15,000 invested, £20,000 on call, £10,000 in cash and advances of £55,000. For the existing bank would only have been able to expand to the £100,000 level by treating each additional deposit of £1,000 cash

in the same way, with investment and advances totalling £900 out of each £1,000, not the mythical £9,000.

The members of the Committee were soon faced with a problem. Taking their words at their face value, the late Major Douglas concluded that this power of 'creation' meant that a bank *acquires securities for nothing*, creates new money *by a stroke of the banker's pen* and that the banks *are the potential or actual owners of everything produced in the world*.

Faced with this, members of the Committee who were asked about it, including the late Reginald McKenna, Chairman of the Midland Bank, had to repudiate Major Douglas. The fact remains, however, that Major Douglas was only taking them to the logical conclusion of their own mystical theory of banking.

The proof of the pudding is in the eating. If their theory held water, no bank would ever collapse. But faced with depositors queuing up to get their money out, in the real world banks that are over-exposed, having lent unwisely, or been the victims of fraud, unless they are bailed out by governments or other banks, will and do go broke, and their depositors do not get their money back.

The Asian economic crisis has led to a classic run on the banks, as happened in the great USA Wall Street crash. When a great many depositors all at once need to make large withdrawals, then and only then are banks really found out. Having lent out the money deposited, they cannot give the depositors their money back, and they do not and cannot create credit out of nothing.

LIES, DAMNED LIES AND JOURNALISTS

In the Independent (25 August 1998) a headline appeared over a report covering the wars in the continent of Africa. The headline read . . .

"A CONTINENT FACES CIVIL WAR IN MARX'S LAST-DITCH STAND AGAINST DEMOCRACY".

The headline is of course a lie. All countries in Africa are capitalist. All are countries where workers are forced to sell their abilities to work for a wage or salary. In all these countries workers are exploited and seek the protection of trade unions. There is no common ownership and democratic control of the means of production and distribution by all of society. In short, there is no socialism.

So why the lies? It is because the Independent, along with the rest of the capitalist media fear the power of Marx's revolutionary ideas. They fear Socialism. And they fear the potential the working class has in consciously and politically abolishing capitalism.

Incidentally, The Independent was very silent about who trained these various armies, and where the various Governments obtained their weapons and other military hardware.

The Socialist Party of Great Britain wrote to The Independent with a request to put our case in its 'Right of Reply' columns. We have yet to receive a reply.

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WORLD CAPITALISM IN CRISIS

Speakers: R. Lloyd, C. May

Sunday 22nd November

RUSSIAN POLITICS AND THE ROUBLE

Speaker: J. D'Arcy

Sunday 6th December

DEBATE WITH THE FREEDOM ASSOCIATION

"The single European currency
is of no concern to the workers".

S.P.G.B.: R. Lloyd
Freedom Association: G. Hartup

Lectures start at 3 pm at
Marchmont Community Centre,
62 Marchmont street, London WC2.
(5 minutes Russell Square tube station).

ADMISSION FREE - QUESTIONS - DISCUSSION

(The 1999 lectures will be announced
in Issue No. 30 due out in December).

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This is the second pamphlet we have published in 1998. It is 150 years since the Manifesto first saw the light of day. We have looked at the salient features of the Manifesto and considered what relevance it has today as a rallying point for working class political action. Price 80p inc. postage. (Stamps acceptable).

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Marchmont Community Centre, 62 Marchmont Street, WC1

Correspondence to the Secretary, S.P.G.B., 31 Caernarvon Road,
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Those wishing to find out more about the Party and its activities
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